<u>NEW HAMPSHIRE GAS CORPORATION</u>

Direct Testimony of Jennifer M. Boucher

Q. Please state your name, employer and business address.

A. My name is Jennifer Boucher. I am employed by The Berkshire Gas Company ("Berkshire") and my business address is 115 Cheshire Rd., Pittsfield, MA 01201.

Q. What is your position?

A. I am the Manager of Regulatory Economics for Berkshire.

Q. Please briefly describe your educational and professional background?

A. Yes. I graduated from the Massachusetts College of Liberal Arts in 1994 with a Bachelor of Science degree in Business Administration and from Western New England College in 1999 with a Masters of Business Administration. I joined Berkshire in 1997 and have held several positions including Planning Analyst, Administrator of Rates and Planning and Supervisor of Rates and Planning. I was promoted to the Manager of Regulatory Economics in March 2006.

Q. Please summarize your responsibilities.

A. As the Manager of Regulatory Economics, my primary responsibility is to prepare all of the external rate filings and reports to state regulatory agencies, including all semi-annual and out-of-period factor filings, monthly reports and annual reconciliations as related to the Cost of Gas Adjustment Clause ("CGAC") and Local Distribution Adjustment Clause ("LDAC"). I also manage retail service contracts with large customers and provide analysis on tariffs and pricing issues, as well as operating revenue forecasts for the Company's annual operating budget. Additionally, I am responsible for the oversight of gas supply, including planning and dispatch to secure a reliable and least cost gas supply for the benefit of customers. I also oversee the activities between the Company and third-party marketers. Finally, I assist New Hampshire Gas Corporation ("NHGC" or the "Company") with its regulatory filings.

Q. Have you testified as a witness in any other proceedings involving either company?

A. I testified before the New Hampshire Public Utilities Commission (the "Commission" or "PUC") on several occasions with regards to the seasonal Cost of Gas ("COG") filings. I also have experience as a witness in Massachusetts testifying before the Massachusetts Department of Public Utilities ("MDPU"). I testified as a witness in several proceedings including Berkshire's last base rate case (D.T.E. 01-56), its most recent Forecast and Supply Plans (D.T.E. 05-07 and D.P.U. 08-39) and for approval of a gas supply contract with Coral Energy (D.T.E. 06-27).

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to explain the calculation of the Cost of Gas Adjustment to be billed from May 1, 2010 to October 31, 2010. My testimony will also address an analysis of the Propane Purchasing Stabilization Plan and other issues related to the summer period.

COST OF GAS ADJUSTMENT

Q. Please explain the calculation of the Cost of Gas ("COG") Rate on the proposed 42nd revised Tariff Page 25.

A. The proposed 42nd revised Tariff Page 25 contains the calculation of the 2010 Summer COG rate and summarizes the Company's forecast of propane sendout and propane costs. The estimated total cost of the forecasted propane sendout from May 1, 2010 through October 31, 2010 is $474,789. The information presented on the tariff page is supported by Attachments A through E which will be described later in this testimony.

To derive the Total Anticipated Period Costs, the following adjustments have been made:

1) The prior period under-collection of $14,915 is added to the forecasted propane costs. This calculation of the over-collection is demonstrated on Attachment D.

2) Interest of ($514) is added to the forecasted propane costs. Attachment C shows this forecasted interest calculation for the period November 2009 through October 2010. The interest calculation is based on the Wall Street Journal's posted prime rate.

The unit cost of gas sold of $1.6796 per therm is determined by dividing the forecasted Total Anticipated Period Costs of $489,191 by the forecasted firm sales of 291,257 therms.

Q. Please describe Attachment A.

A. This attachment converts the produced gas costs to therms. The 325,421 therms represent propane sendout as detailed on Attachment B and the $1.4590 per therm cost represents the average cost per therm for the summer season as detailed on line 64 of Attachment E.

Q. Please describe Attachment B.

A. Attachment B represents the under/(over) collection calculation for the 2010 summer period based on the anticipated volumes, the cost of gas, and any applicable interest charges. As shown on line 7, total sendout is the 2009 weather normalized summer period firm sendout plus the 2009 summer period Company use. Firm sales volumes shown on line 23 are derived from the 2009 weather normalized summer period firm sales.

Q. Are unaccounted-for gas volumes included in the filing?

A. Unaccounted-for gas volumes are included in the firm sendout volumes on line 3 and are displayed on line 9 of Attachment B. The Company continues to actively monitor its level of unaccounted-for volumes that amounted to 3.48% on the most recent DOT report.

Q. How is Attachment C represented in the COG calculation?

A. Attachment C represents the COG interest calculation through October 2010. The net cost of the prior period over-collection plus interest is also included on the tariff page.

Q. What is Attachment D?

A. Attachment D is the actual over-collection balance for the prior period May 2009 through October 2009, including interest. The ending balance of $14,915 is included on line 1, column 1, of Attachment C.

Q. Please describe Attachment E.

A. Attachment E projects the cost of propane in inventory through October 2010. This attachment is important as the cost of propane sold includes spot market propane as well as propane withdrawn from storage

<u>COG RATE AND BILL COMPARISONS</u>

Q. How does the proposed 2010 summer COG rate compare with last summer's COG rate?

A. The projected summer 2010 COG of $1.6796 is an increase of $0.4398 per therm from the average summer 2009 COG of $1.2398. As shown on Supplemental Schedules A and B, for the average residential heat and hot water customers, this would be a $142.11 increase for the summer 2010 COG period for the gas component of their bill only, which is a 39.9% increase. If the Monthly Customer Charge, per therm Delivery Rates and Rate Case Surcharge are factored into the analysis, the customer will see an increase of $211 in their total bills for the period, a 31.1% increase.

Q. What is the primary reason for the $0.4398 per therm summer COG increase?

A. The primary reason for the increase is significantly higher projected spot market prices of propane versus the summer 2009 period.

Q. How were the gas prices determined?

A. The gas prices were determined from the Spot Market Purchase Cost Analysis included as Supplemental Schedule C. The spot market prices are based on Mt. Belvieu settlement prices based on propane futures market quotations as of March 10, 2010, plus broker, pipeline and Propane Education Research Council ("PERC") fees.

Q. What amount of propane was pre-purchased?

A. The Company has not made any pre-purchases at this time for the 2010 summer COG period.

Q. Has there been any impact due to pipeline, PERC or trucking fees on NHGC's cost of gas?

A. Yes. At the end of the 2009 Summer COG period, pipeline, PERC and trucking fees were $0.0878 per gallon, $0.005 per gallon and $0.0676 per gallon respectively. The PERC fee has remained the same and the trucking fee has increased to $0.0693 per gallon. However, there are significant, fundamental changes to the pipeline fees since last year.

Q. Please explain the changes to the pipeline fees?

A. The Teppco pipeline that provides propane delivery to Selkirk, NY amended received approval to amend their tariff. There is no longer a "proportional rate discount" for delivery locations outside of a certain radius from the Selkirk terminal. In addition, seasonal delivery rates are eliminated. The new pipeline fee effective April 1, 2010 is $0.1240 per gallon which is the sum of the delivery rate of $0.1140 plus a terminal charge of $0.01 per gallon. This is a $0.0362 per gallon increase as compared to the $0.0878 per gallon fee at the end of the 2009 Summer COG period.

MISCELLANEOUS

Q. Are there other adjustments to rates for the summer 2010 Cost of Gas period that should be considered?

A. Yes. In NHGC's Petition for Rate Increase, the subject of Docket DG 09-038, NHGC requested the ability to recover rate case expenses as well as the reconciliation of temporary and permanent rates. NHGC requested a rate surcharge of $0.059 per therm over a one-year surcharge period. On October 30, 2009, the PUC approved the Joint Settlement among Staff, OCA and NHGC in Order 25,039 and allowed the $0.059 per therm surcharge. At the time that the $0.059 per therm surcharge was developed, the estimated rate case expense (including the temporary rate reconciliation) to be recovered was $72,813.

Subsequently, NHGC completed its final temporary rate reconciliation and received final rate case expense related billing. Based on these updated figures, the total rate case expense to be recovered via the rate case surcharge amounts to $81,149.

Q. What is the proposed rate case surcharge for the summer 2010 period?

Supplemental Schedule D presents the Company's calculation of the proposed rate case surcharge. NHGC estimates the rate case surcharge collected through April 30, 2010 amounts to $56,375, leaving $24,774 ($81,149 minus $56,375) to be collected during the May to October 2010 period. Using the estimated therms sales for the 2010 Summer COG period, the proposed rate case surcharge will be $0.0851 per therm. Please refer to Supplemental Schedule D of where this same information is provided in the format of a calculation.

Q. Has the Company performed any analysis with regards to its Propane Purchasing Stabilization Plan?

A. Yes. The Company evaluated: 1) the estimated premium associated with securing the pre-purchased volumes (Attachment NHPUC-1); and 2) the contracted price to the average monthly spot-price of deliveries during the November 2009 through February 2010 period (Attachment NHPUC-2). First, with regards to the estimated premium associated with securing the pre-purchased volumes, the Company believes that the premium of less than $0.05 per gallon is reasonable. This premium represents approximately 4.5% of the cost of the pre-purchased gallons. Also, with regard to the comparison of the contracted price versus the average price of monthly spot deliveries, the analysis shows that the cost of the pre-purchased gallons was significantly less than the average spot charges incurred over the November 2009 through February 2010 period and the Company believes that the Plan should continue. The purpose of the Plan is to provide more price stability in the COG rate to customers by systematically purchasing supplies over a pre-determined period, not necessarily to obtain lower prices. In addition, the systematic pre-purchases facilitate the offering of the Fixed Price Option Program.

Q. Has the Company issued a Request for Proposal ("RFP") to potential suppliers for the 2010-2011 period?

A. Yes, the Company issued an RFP to potential suppliers on February 26, 2010. The Company will evaluate the merits of any proposal it receives before the summer cost of gas hearing.

Q. Is the Company requesting a waiver of N.H. Code Admin. Rule Puc 1203.05 which requires rate changes to be implemented on a service-rendered basis?

A. Yes, the Company is requesting a waiver of N.H. Code Admin. Rule Puc 1203.05 as was granted in previous COG and delivery rate proceedings. First, NHGC customers are accustomed to rate change on a bills-rendered basis and a change in policy may result in customer confusion. In addition, the Company's current billing system is not designed to accommodate changes to billing on a service-rendered basis and such a change would necessitate modifying or replacing the billing system at a substantial cost to NHGC.

Q. Does this conclude your testimony?

A. Yes, it does.